

Message Text

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ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 EB-11

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 6925

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E.O. 11652: N/A

TAGS: EFIN, EGEN

SUBJ: REQUEST FOR EXIMBANK LOAN-FUNSA

1. THE FABRICA URUGUAYA DE NEUMATICOS S.A. (FUNSA), WHICH HAS A PRACTICAL MONOPOLY (95 PERCENT) OF TIRE PRODUCTION IN URUGUAY, HAS ASKED THE EMBASSY HOW IT MIGHT OBTAIN EXIMBANK FINANCING FOR APPROXIMATELY US\$480,000 IN U.S. MACHINERY TO COMPLEMENT A \$2.7 MILLION EXPANSION PROGRAM BEGAN IN 1971.

2. THERE ARE QVB SPECIFIC MACHINES REQUIRED FOR THIS PROGRAM FROM SEVERAL DIFFERENT MANUFACTURERS IN THE U.S. FUNSA HAS A TECHNICAL ASSISTANCE AGREEMENT WITH THE FIRESTONE TIRE AND RUBBERH COMPANY OF AKRON, OHIO, WHICH ALSO ACTS AS FUNSA PURCHASING AGENT. IN RESPONSE TO A REQUEST FROM FUNSA FOR INFORMATION ON CREDIT AVAILABILITY, FIRESTONE SUGGESTED THEY CONTACT EXIMBANK.

3. FUNSA HAS ANNUAL SALES EQUIVALENT TO US\$40 MILLION AND EXPORTS LAST YEAR OF \$2.5 MILLION. NET PROFITS ON SALES THE PAST TWO YEARS AVERAGED 7 PERCENT. THE EXPANSION PROGRAM HAS BEEN DECLARED OF NATIONAL INTEREST BY THE GOU AND IS DESIGNED TO INCREASE EXPORTS.

4. THE GOU REQUIRES 5 YEAR FINANCING FOR CAPITAL GOODS

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IMPORTS IN EXCESS OF US\$20,000.

5. SINCE THERE ARE A VARIETY OF SUPPLIERS INVOLVED, THE EMBASSY WOULD APPRECIATE KNOWING WHETHER THE EXIMBANK WOULD BE PREPARED TO CONSIDER A PARTICIPATION LOAN TO FUNSA AND TO ASSIST IN OBTAINING THE 45 PERCENT PRIVATE SOURCE FINANCING.

6. WE HAVE SUGGESTED THAT FUNSA CONSIDER A CFFWITH ONE OF THE PARTICIPATING LOCAL BANKS BUT THIS MAY NOT BE POSSIBLE AS EACH BANK HERE IS LIMITED BY THE CENTRAL BANK IN THE AMOUNTS THEY CAN LEND LOCALLY.

7. WE ARE MAILING TO EXIMBANK A BROCHURE DESCRIBING THE EXPANSION PROJECT, THE ANNUAL FINANCIAL STATEMENTS OF FUNSA FOR THE PAST THREE YARS, AND COPIES OF PERTINENT GOU REGULATIONS.
SIRACUSA

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